Rethinking Quangos in Regeneration

This article is based on a presentation given by Dan Lewis to the British Urban Regeneration Association's Conference "Local Government, New Localism and the Delivery of Regeneration" on March 9th 2006.

Thankyou for that introduction Mr Chairman. And can I also congratulate BURA on their timing for this conference. I have rarely seen so much media coverage about urban regeneration as in the last few days. With great fanfare, the Tories are bringing back Lord Heseltine to run the Cities Task Force, to promote new policies to promote regeneration in Britain's cities. Meanwhile, Deputy Prime Minister John Prescott showed around the Brazilian President - no less - in East London, to admire the results of his New Deals for Communities programme. There's a very real debate right now on Quangos in Regeneration.

I daresay that many of you, especially on the panel, know far more about the intricate operations of quangos in regeneration than I do. Well I think we can all agree in principle that regeneration is a good thing. Just take a look out of the window and I challenge you not to say that the Docklands redevelopment is impressive.

But I approach the issue of regeneration as an economic determinist. And where I differ from I suspect many of you – and I'm pretty sure this is why BURA asked me – is in the methods, the policies and the outcomes. Can we afford to use so much public money to fund regional development agencies and others to achieve urban and regional regeneration or should we reallocate those resources back to the private sector?

I tend to think the latter.

The big picture is that this country needs a productivity revolution.

Allow me to briefly summarize where the economy is going. The overriding achievement of the last 9 years has been economic stability. But it hasn't been economic growth. Economic growth more than anything else is what lifts regions and communities out of poverty. And in fact, going forward, the future growth prognosis is clearly darkening. We have a looming unfunded pensions crisis, a prospective decline in the working population, a decline in revenues from North Sea Oil and Gas, a decline in international competitiveness by whatever measure you use, rising energy costs and a decline in Foreign Direct Investment. Productivity growth has been dire, business investment is chronically weak and the trade figures, although no one takes any notice of them these days, are deteriorating.

All this means that this country will have to learn to produce more with a lot less. That's why we need a productivity revolution. This can't be achieved without a substantial capital reallocation from the public sector to the private sector. They can then use that additional capital for investment to achieve that productivity growth.

The existing headline trend growth rate of 2.8% is not acceptable. Just to keep pace with the Global Economy, we need to lift it to at least 4%.

But why am I telling you this?

I think that the current thrust of increasing government expenditure is taking us away from that goal. And the many quangos involved in regeneration should be first in the firing line for that redistribution of government wealth back to the people.

Take the growing budgets of the Regional Development Agencies in England alone (figures in millions GBP).

English Agency	**2006/7**	**2007/8**	**2008/9**
Advantage West Midlands	272	284	291
East of England Development Agency	129	134	138
East Midlands Development Agency	156	163	167
London Development Agency	373	391	400
North West Development Agency	382	400	409
One North East	240	251	258
South East England Development Agency	157	163	167
South West of England Development Agency	153	159	164
Yorkshire Forward	295	310	316
Totals	2,157	2,256	2,309

Over the next 3 years, these already enormous budgets are set to grow. Add to these the existing budgets for English Partnerships, Invest Northern Ireland, the Welsh Development Agency, Scottish Enterprise, etc. and we are talking about at least several billion pounds, perhaps 2% of government tax receipts.

And people up and down the country have started asking questions. Does London really need a Development Agency?

Why does Invest Northern Ireland – with a population of just 1.68 million – need foreign offices in New York, Boston, Washington, Atlanta, San Jose, Dublin, London, Brussels, Dusseldorf, Tokyo, Seoul, Taipei and now Shanghai?

Yet what’s really aroused my scepticism is the publicly financed Inward Investment industry. There might have been a good argument for it in the 1980s; Britain then had a cheap currency and a cheap deregulated labour force and there was a wall of foreign capital from Japanese, American and German companies, looking to set up component assembly plants and call centres. But those days now are now well and truly over. That sort of FDI now bypasses Britain and goes straight to India and China.

Yet the publicly financed inward investment industry continues to prosper. We now have up to 6 different levels of government who by all accounts don't cooperate very well, chasing the same diminishing pot of money. These are the District Councils, the City Councils, the County Councils, the Urban Regeneration Companies, the Regional Development Agencies and the Office for the Deputy Prime Minister. Is this really a good use of public funds?

I think it's a wasteful and disgraceful duplication of effort.

Now some of you might say – so what?

We are regenerating deprived areas and that's a good thing. Well not as well as you should be. I think the outcome of regeneration should be jobs. But today's urban regeneration seems to be all too often about the creation of smart streetscapes, glistening facades and an obsession with increasing urban densities. That last part really irritates me. I think it's just plain wrong to believe that living even closer to your neighbours cheers you up.

The point is this; regeneration has lost its focus. What happens in the workplace is far more important to the regeneration and wealth creation in any given area.

The issue of accountability of the regenerating quangos urgently needs addressing too. This country is still special and unique in that we have had over 300 years of political stability and that our civil service and those who work in the quangos, are not corrupt and have a genuine ethos of public service.

However the real test of anybody's accountability is; can they be sacked?

With politicians, we can do it at the ballot box. With companies, we can find alternatives through competition. With public bodies, it has to be said that the lines of accountability leave very much to be desired. As the Local Government Information Unit will attest, local government is having enormous problems getting their views represented across to public bodies in the public sector. They first report on this "Advance of the Quango State" published in 2000, is soon to be followed by another paper on this same theme. It seems that whatever accountability quangos have today, it is upwards to temporarily positioned central government ministers who let's face it, don't fully understand them, rather than downwards to local government. And that is why many see powerful executive agencies as a threat to local democracy and representative government.

It's time to rethink quangos in regeneration. As government finances become tighter, the Regional Development Agencies and the others will increasingly look like the low hanging fruit of the oversize state. They should be scaled back over time and their budgetary wealth reallocated back to the capital-starved taxpayer. The way to help the regions and deprived areas is with infrastructure and above all infuse the private sector with a surplus of capital. The increasing penetration of broadband internet suggests that a dynamic rural economy is within our grasp.

As I said earlier, the country desperately needs a productivity revolution to generate a higher growth rate to lift the deprived areas of our land out of poverty. That's what is doing it for China, not an organisation called Chinese Partnerships. And it will be work, not Islington style coffee shops, piazzas or parks that could make this country great again.

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